

By: **Senator Gladden**

Introduced and read first time: February 6, 2004

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Automobile Insurance - Alternative Rating Plan Pilot Program**

3 FOR the purpose of authorizing certain credits against certain premium taxes under
4 certain circumstances; providing for calculation of the credit; authorizing certain
5 insurers that deliver, issue for delivery, or renew a policy of automobile
6 insurance to offer certain persons the choice between mile-based rating plans
7 and time-based rating plans; authorizing certain insurers to require certain
8 purchasers to use the same rating plan for all vehicles under certain policies;
9 requiring certain insurers that offer certain mile-based rating plans to file with
10 the Insurance Commissioner certain premium schedules; authorizing the
11 Commissioner to reject certain rate filings under certain circumstances;
12 prohibiting certain insurers from using certain rejected rate filings; exempting
13 certain mile-based rating plans from certain other rate regulations; requiring
14 certain insurers to separately report incurred losses and earned premiums
15 under certain circumstances; authorizing the Commissioner to adopt certain
16 regulations; requiring the Commissioner to conduct a certain study to be
17 reported by a certain date; defining certain terms; providing for the application
18 of this Act; providing for the termination of this Act; and generally relating to
19 automobile insurance and an alternative rating plan pilot program.

20 BY adding to
21 Article - Insurance
22 Section 6-120, 11-216, and 11-319
23 Annotated Code of Maryland
24 (2003 Replacement Volume)

25 BY repealing and reenacting, with amendments,
26 Article - Insurance
27 Section 11-215(a) and 11-318(a)
28 Annotated Code of Maryland
29 (2003 Replacement Volume)

30 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
31 MARYLAND, That the Laws of Maryland read as follows:

1

Article - Insurance

2 6-120.

3 (A) IN THIS SECTION, "MILE-BASED RATING PLAN" MEANS A RATING PLAN
4 FOR WHICH A UNIT OF EXPOSURE IS 1 MILE TRAVELED BY THE INSURED MOTOR
5 VEHICLE.

6 (B)

7 AN INSURER MAY CLAIM A CREDIT AGAINST THE PREMIUM TAX PAYABLE
8 UNDER THIS SUBTITLE FOR PROVIDING MOTOR VEHICLE INSURANCE POLICIES IN
9 THE STATE THAT ARE AT LEAST 70% BASED ON A MILE-BASED RATING PLAN UNDER
10 § 11-216 OR § 11-319 OF THIS ARTICLE.

11 (C) THE AMOUNT OF THE CREDIT SHALL EQUAL \$100 FOR EACH VEHICLE
12 INSURED UNDER A POLICY DESCRIBED IN SUBSECTION (B) OF THIS SECTION THAT IS
13 ISSUED IN THE STATE DURING THE TAXABLE YEAR.

14 (D) THE CREDIT MAY NOT EXCEED \$300 FOR EACH POLICY DESCRIBED IN
15 SUBSECTION (B) OF THIS SECTION THAT IS ISSUED BY THE INSURER.

16 (E) THE TOTAL AMOUNT OF CREDIT ALLOWED UNDER THIS SECTION IN A
17 TAXABLE YEAR MAY NOT EXCEED THE TAX LIABILITY OF THE INSURER AND MAY
18 NOT BE CARRIED FORWARD TO ANOTHER TAXABLE YEAR.

19 (F) IN ORDER FOR A CREDIT TO BE CLAIMED FOR A POLICY UNDER THIS
20 SECTION, THE INSURER MUST OBTAIN A VERIFIED STATEMENT FROM THE
21 POLICYHOLDER STATING THAT:

22 (1) THE POLICY FOR WHICH A CREDIT IS CLAIMED COVERS ALL
23 VEHICLES USED AT THE HOUSEHOLD OF THE POLICYHOLDER; AND

24 (2) THE VEHICLES ON THE POLICY FOR WHICH A CREDIT IS CLAIMED
25 ARE OWNED, LEASED, OR REGULARLY OPERATED BY THE POLICYHOLDER OR BY AN
26 INDIVIDUAL WHO:

27 (I) IS LEGALLY RELATED TO THE POLICYHOLDER; OR

28 (II) REGULARLY SHARES VEHICLES WITH THE POLICYHOLDER.

29 (G) THE CREDIT MAY NOT BE CLAIMED WITH RESPECT TO A POLICY FOR
30 WHICH A CREDIT WAS ALLOWED IN A PREVIOUS TAXABLE YEAR.

31 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
32 read as follows:

1

Article - Insurance

2 11-215.

3 (a) [All] EXCEPT AS PROVIDED IN § 11-216 OF THIS SUBTITLE, ALL automobile
4 insurance rates shall be made in accordance with the principles set forth in this
5 section.

6 11-216.

7 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
8 INDICATED.

9 (2) "MILE-BASED RATING PLAN" MEANS A RATING PLAN FOR WHICH A
10 UNIT OF EXPOSURE IS 1 MILE TRAVELED BY THE INSURED MOTOR VEHICLE.

11 (3) "TIME-BASED RATING PLAN" MEANS A RATING PLAN FOR WHICH A
12 UNIT OF EXPOSURE IS A UNIT OF TIME.

13 (B) AN INSURER THAT DELIVERS, ISSUES FOR DELIVERY, OR RENEWS A
14 POLICY OF AUTOMOBILE INSURANCE MAY OFFER EACH PERSON WHO PURCHASES
15 AUTOMOBILE INSURANCE COVERAGE FROM THAT INSURER A CHOICE BETWEEN A
16 MILE-BASED RATING PLAN AND A TIME-BASED RATING PLAN FOR COVERAGE FOR
17 LOSSES CAUSED BY COLLISION OR OTHER DRIVING-RELATED ACCIDENTS.

18 (C) THE INSURER SHALL REQUIRE A PERSON PURCHASING COVERAGE TO USE
19 THE SAME RATING PLAN FOR ALL VEHICLES COVERED UNDER THE PERSON'S
20 AUTOMOBILE INSURANCE POLICY.

21 (D) EACH INSURER THAT OFFERS THE MILE-BASED RATING PLAN UNDER
22 THIS SECTION SHALL ANNUALLY FILE WITH THE COMMISSIONER FOR THE
23 COMMISSIONER'S APPROVAL, A SCHEDULE OF THE INSURER'S PREMIUM RATES FOR
24 AUTOMOBILE INSURANCE BASED ON THE MILE-BASED RATING PLAN AND THE
25 TIME-BASED RATING PLAN USED BY THE INSURER.

26 (E) (1) THE COMMISSIONER SHALL ANALYZE THE PREMIUM RATES FILED
27 BY AN INSURER UNDER SUBSECTION (D) OF THIS SECTION.

28 (2) IF THE COMMISSIONER DETERMINES THAT THE RATES FILED
29 UNDER SUBSECTION (D) OF THIS SECTION ARE EXCESSIVE IN COMPARISON TO THE
30 PREMIUM RATES CHARGED FOR SIMILAR COVERAGE UNDER A TIME-BASED RATING
31 PLAN USED BY THE INSURER, THE COMMISSIONER SHALL REJECT THE RATES AFTER
32 NOTICE TO THE INSURER AND AN OPPORTUNITY FOR A HEARING.

33 (3) THE COMMISSIONER MUST NOTIFY THE INSURER THAT THE RATES
34 ARE REJECTED NOT LATER THAN 60 DAYS AFTER THE DATE ON WHICH THE RATES
35 ARE FILED UNDER SUBSECTION (D) OF THIS SECTION.

36 (4) AN INSURER MAY NOT USE RATES REJECTED BY THE
37 COMMISSIONER UNDER THIS SUBSECTION.

1 (F) PREMIUM RATES USED BY AN INSURER UNDER THE MILE-BASED RATING
2 PLAN ADOPTED UNDER THIS SECTION ARE EXEMPT FROM OTHER RATE REGULATION
3 UNDER THIS TITLE.

4 (G) IN REPORTING INCURRED LOSSES AND EARNED PREMIUMS AS REQUIRED
5 UNDER TITLE 6 OF THIS ARTICLE, AN INSURER SHALL SEPARATELY REPORT
6 EXPERIENCE BASED ON USE OF THE MILE-BASED RATING PLAN AND THE
7 TIME-BASED RATING PLAN.

8 (H) THE COMMISSIONER MAY ADOPT REGULATIONS NECESSARY TO
9 IMPLEMENT THE PROVISIONS OF THIS SECTION.

10 11-318.

11 (a) [All] EXCEPT AS PROVIDED IN § 11-319 OF THIS SUBTITLE, ALL automobile
12 insurance rates shall be made in accordance with the principles set forth in this
13 section.

14 11-319.

15 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
16 INDICATED.

17 (2) "MILE-BASED RATING PLAN" MEANS A RATING PLAN FOR WHICH A
18 UNIT OF EXPOSURE IS 1 MILE TRAVELED BY THE INSURED MOTOR VEHICLE.

19 (3) "TIME-BASED RATING PLAN" MEANS A RATING PLAN FOR WHICH A
20 UNIT OF EXPOSURE IS A UNIT OF TIME.

21 (B) AN INSURER THAT DELIVERS, ISSUES FOR DELIVERY, OR RENEWS A
22 POLICY OF AUTOMOBILE INSURANCE MAY OFFER EACH PERSON WHO PURCHASES
23 AUTOMOBILE INSURANCE COVERAGE FROM THAT INSURER A CHOICE BETWEEN A
24 MILE-BASED RATING PLAN AND A TIME-BASED RATING PLAN FOR COVERAGE FOR
25 LOSSES CAUSED BY COLLISION OR OTHER DRIVING-RELATED ACCIDENTS.

26 (C) THE INSURER MAY REQUIRE A PERSON PURCHASING COVERAGE TO USE
27 THE SAME RATING PLAN FOR ALL VEHICLES COVERED UNDER THE PERSON'S
28 AUTOMOBILE INSURANCE POLICY.

29 (D) EACH INSURER THAT OFFERS THE MILE-BASED RATING PLAN UNDER
30 THIS SECTION SHALL ANNUALLY FILE WITH THE COMMISSIONER FOR THE
31 COMMISSIONER'S APPROVAL, A SCHEDULE OF THE INSURER'S PREMIUM RATES FOR
32 AUTOMOBILE INSURANCE BASED ON THE MILE-BASED RATING PLAN AND THE
33 TIME-BASED RATING PLAN USED BY THE INSURER.

34 (E) (1) THE COMMISSIONER SHALL ANALYZE THE PREMIUM RATES FILED
35 BY AN INSURER UNDER SUBSECTION (D) OF THIS SECTION.

36 (2) IF THE COMMISSIONER DETERMINES THAT THE RATES FILED
37 UNDER SUBSECTION (D) OF THIS SECTION ARE EXCESSIVE IN COMPARISON TO THE

1 PREMIUM RATES CHARGED FOR SIMILAR COVERAGE UNDER A TIME-BASED RATING
2 PLAN USED BY THE INSURER, THE COMMISSIONER SHALL REJECT THE RATES AFTER
3 NOTICE TO THE INSURER AND AN OPPORTUNITY FOR A HEARING.

4 (3) THE COMMISSIONER MUST NOTIFY THE INSURER THAT THE RATES
5 ARE REJECTED NOT LATER THAN THE 60TH DAY AFTER THE DATE ON WHICH THE
6 RATES ARE FILED UNDER SUBSECTION (D) OF THIS SECTION.

7 (4) AN INSURER MAY NOT USE RATES REJECTED BY THE
8 COMMISSIONER UNDER THIS SUBSECTION.

9 (F) PREMIUM RATES USED BY AN INSURER UNDER THE MILE-BASED RATING
10 PLAN ADOPTED UNDER THIS SECTION ARE EXEMPT FROM OTHER RATE REGULATION
11 UNDER THIS TITLE.

12 (G) IN REPORTING INCURRED LOSSES AND EARNED PREMIUMS AS REQUIRED
13 UNDER TITLE 6 OF THIS ARTICLE, AN INSURER SHALL SEPARATELY REPORT
14 EXPERIENCE BASED ON USE OF THE MILE-BASED RATING PLAN AND THE
15 TIME-BASED RATING PLAN.

16 (H) THE COMMISSIONER MAY ADOPT REGULATIONS NECESSARY TO
17 IMPLEMENT THE PROVISIONS OF THIS SECTION.

18 SECTION 3. AND BE IT FURTHER ENACTED, That the Maryland Insurance
19 Commissioner shall:

20 (1) conduct a study on the use of mile-based rating plans and
21 time-based rating plans by insurers in the State;

22 (2) compile information regarding the number of insurers writing
23 automobile insurance based on mile-based rating plans, the geographic areas of the
24 State in which mile-based rating plans are used, and the premium rates for
25 mile-based rating plans compared to standard time-based rating plans;

26 (3) analyze the effect of mile-based rating plans on premium rates
27 offered for automobile insurance based on time-based rating plans and the number of
28 uninsured motorists in the State; and

29 (4) report on the results of these studies to the Governor and, in
30 accordance with § 2-1246 of the State Government Article, the General Assembly, on
31 or before January 1, 2008.

32 SECTION 4. AND BE IT FURTHER ENACTED, That if a credit claimed under
33 Section 1 of this Act, when added to all previous tax credits allowed under Section 1 of
34 this Act by all insurers for all taxable years, exceeds \$1 million, the credit shall be
35 disallowed.

36 SECTION 5. AND BE IT FURTHER ENACTED, That Sections 1 and 4 of this
37 Act apply to taxable years beginning after December 31, 2005.

1 SECTION 6. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
2 apply to all automobile insurance policies and contracts issued, delivered, or renewed
3 on or after October 1, 2004.

4 SECTION 7. AND BE IT FURTHER ENACTED, That this Act shall take effect
5 October 1, 2004. It shall remain effective for a period of 4 years and, at the end of
6 September 30, 2008, with no further action required by the General Assembly, this
7 Act shall be abrogated and of no further force and effect.